



J. TYLER McCaULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 15, 2006

TO: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **COMMUNITY ENHANCEMENT SERVICES CONTRACT REVIEW –  
REFUGEE EMPLOYMENT PROGRAM**

We have conducted a program and fiscal contract review of Community Enhancement Services (CES or Agency), a Refugee Employment Program (REP or Program) service provider.

**Background**

The Department of Public Social Services (DPSS) contracts with CES, a private, non-profit, community-based organization to provide job-training and employment services to refugees who have resided in the United States for less than five years. The Agency's services include providing language, vocational and on-the-job work training and job seeking skills, assisting participants in retaining employment and paying for work related expenses such as transportation and union dues. The population that CES serves resides in the Third and Fifth Districts.

DPSS pays CES a fixed fee for each type of service based on budgeted program costs and anticipated service levels. DPSS paid CES \$80,650 for Fiscal Year 2005-06.

**Purpose/Methodology**

The purpose of the review was to determine whether CES has complied with its contract terms and appropriately accounted for and spent program funds in providing services to the eligible participants. In addition, we evaluated the adequacy of the Agency's

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accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Overall, CES provided services required by the County contract using the appropriate number of qualified staff. The program participants stated that the services they received from CES generally met their expectations. However, CES needs to strengthen their controls over the use of their business credit cards. The program manager used the Agency's business credit card for non-program related purchases. The items purchased totaled approximately \$1,200. The Agency provided documentation to support that the employee reimbursed the Agency through payroll deductions in September and October 2005.

### **Review of Report**

On October 24, 2006, we discussed our report with CES management. In their attached response, CES management concurred with our report. We also notified DPSS of the results of our review.

We thank CES for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer  
Bryce Yokomizo, Director, Department of Public Social Services  
Zigmund Vays, President, Community Enhancement Services  
Public Information Office  
Audit Committee

**REFUGEE EMPLOYMENT PROGRAM  
COMMUNITY ENHANCEMENT SERVICES  
FISCAL YEAR 2005-2006**

**ELIGIBILITY**

**Objective**

Determine whether the Community Enhancement Services (CES or Agency) provided services to individuals that meet the eligibility requirements of the Refugee Employment Program (REP or Program).

**Verification**

Based on DPSS' request, we selected a sample of 50 (56%) of 90 program participants that received services during July, August, and September 2005. We reviewed documentation in the case files to confirm the participants' eligibility for program services.

**Results**

All program participants in our sample were eligible to receive program services. CES also maintained appropriate documentation to support the participants' eligibility to receive program services.

**Recommendation**

**There are no recommendations for this section.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether CES provided the services billed in accordance with their contract and the program participants received those services.

**Verification**

We reviewed the documentation contained in 50 (56%) of 90 program participant case files for participants that received services in July, August, and September 2005. We also interviewed 39 program participants. Our sample represented \$23,796 that CES billed DPSS for the sample months.

**Results**

CES appropriately provided language, vocational and on-the-job work training, job seeking skills, assisted in attaining employment and paid work related expenses such as, transportation and union dues. In addition, the program participants stated that the services they received from CES met their expectations.

**Recommendation**

There are no recommendations for this section.

**SERVICE/STAFFING LEVELS****Objectives**

Determine whether CES' actual service and staffing level does not significantly vary from planned levels.

**Verification**

We reviewed billing statements for July, August, and September 2005 and compared them to the Agency's proposed service levels for the same periods. In addition, we interviewed 3 staff and reviewed CES's employee rosters.

**Results**

The CES's reported service levels for the period increased by approximately 70% due to an increase in the number of cases referred to the Agency by DPSS. The Agency's actual staffing level of 1.7 full time equivalent staff (FTE) also increased from the planned level of 0.70. The Agency indicated that the staffing levels are monitored and if the changes in the service levels are consistently changed they will adjust their staffing level proportionately.

**Recommendation**

There are no recommendations for this section.

**STAFFING QUALIFICATIONS****Objective**

Determine whether CES' staff possessed the qualifications required by the contract.

**Verification**

We reviewed the personnel files of all three REP staff for documentation to confirm staff qualifications.

**Results**

Each of CES's staff possessed the required employment eligibility verification, training, reading, writing and speaking requirements identified in the contract.

**Recommendation**

**There are no recommendations for this section.**

**CASH/REVENUES****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash, and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed CES's September 2005 bank reconciliation.

**Results**

CES maintained adequate controls to ensure that cash and revenues were properly recorded and deposited in a timely manner.

**Recommendation**

**There are no recommendations for this section.**

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether reported expenditures are allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for six non-personnel expenditure transactions billed by the Agency for September 2005 totaling \$2,265.

**Results**

CES's expenses were allowable, properly documented and accurately billed to DPSS.

**Recommendation**

There are no recommendations for this section.

**INTERNAL CONTROLS****Objective**

Determine whether the contractor maintained sufficient internal controls over its business operations.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in areas such as expenditures, payroll and personnel.

**Results**

CES's program manager used the Agency's business credit card for non-program related purchases. The items purchased totaled approximately \$1,200. The employee subsequently reimbursed the Agency through payroll deductions in September and October 2005.

**Recommendation**

1. CES management ensure the Agency's business credit card is adequately protected, usage is monitored and only authorized and necessary items are purchased.

**FIXED ASSETS****Objective**

Determine whether CES's purchases made with program funds are used for the program and that the assets are safeguarded and accurately accounted for.

**Verification**

We interviewed CES personnel and reviewed the Agency's equipment inventory listing. In addition, we also performed a physical inventory of two assets funded partially or fully by program funds to verify existence and that the property was being used for its intended use as required.

**Results**

The fixed assets that CES purchased with REP funding were used for the program. In addition, the Agency adequately safeguarded and monitored the fixed assets.

**Recommendation**

There are no recommendations for this section.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll is appropriately charged to the program. In addition, determine whether personnel files are maintained as required.

**Verification**

We reviewed payroll expenditures for 3 employees during September 2005, totaling \$1,782. We also interviewed staff and reviewed the personnel files of staff assigned to the program.

**Results**

The Agency program staff salaries were supported with time cards and charged appropriately to the program. In addition, CES maintained personnel files in accordance with the County contract.

**Recommendation**

There are no recommendations for this section.

**COST ALLOCATION PLAN****Objective**

Determine whether CES's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

**Verification**

We reviewed CES's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during September 2005 to ensure that the expenditure were properly allocated to the Agency's appropriate.

**Results**

CES's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

**Recommendation**

**There are no recommendations for this section.**





**COMMUNITY  
ENHANCEMENT  
SERVICES**

October 31, 2006

Mr. J. Tyler McCauley, Auditor Controller  
County Of Los Angeles  
500 W Temple, Room 525  
Los Angeles, CA 90012

Re: Contract Review Response

Dear Mr. McCauley:

We have reviewed the report issued by your Department and are in general agreement with the recommendation that reads: "CES management ensure the Agency's business credit card is adequately protected, usage is monitored and only authorized and necessary items are purchased".

Below please find a corrective action plan that details our efforts to implement the recommendation contained in the report:

Pay Advances

The use of the credit card referenced above represented a pay advance. Any pay advances were extended using only the agency's general funds. No government funds, including County funds, had ever been used for this purpose.

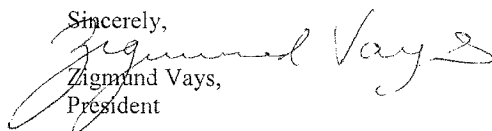
Starting year 2006, CES discontinued approving pay advances. CES' personnel policy handbook had been revised effective January 1, 2006 to reflect this change. As it is evident the revision of the policy occurred prior to CES receiving the County's recommendation.

Use of the Company's Credit Cards

As part of its existing internal control procedures, only certain staff members are authorized and designated to use the company's credit card. CES' fiscal department has always monitored, reviewed and maintained supporting documentations for all credit card charges to ensure that only authorized and necessary items are purchased. This information has been reviewed and reflected in agency's single audits as well as the County previous audits.

Please call me if you have any questions at (323) 850-4676.

Sincerely,

  
Zigmund Vays,  
President